

WAIVER OF PENALTY AND INTEREST FOR AMENDED RETURNS RELATED TO DISASTER- RELATED CASUALTY LOSSES

Prior Law

The Emergency Economic Stabilization, Energy, Extenders and AMT Relief Act of 2008 passed by Congress in October 2008 provided for changes in the calculation of casualty losses allowed as an itemized deduction for federal income tax purposes. This provision, which was set forth in section 165(h) of the Internal Revenue Code, provided a full deduction for casualty losses for the 2008 tax year without the limitation for 10% of adjusted gross income and the \$100 per casualty floor.

Iowa's primary statutory reference to the Internal Revenue Code relating to the determination of income was amended through January 1, 2008, and therefore did not include the provisions of the Emergency Economic Stabilization, Energy, Extenders and AMT Relief Act of 2008. Therefore, the enhanced deduction for casualty losses was not allowed for Iowa income tax purposes.

New Provisions

Iowa's primary statutory reference to the Internal Revenue Code regarding the determination of income was not amended, so the enhanced deduction for casualty losses is still not allowed for Iowa tax purposes.

However, if taxpayers filed their 2008 Iowa individual income tax return and claimed the enhanced casualty loss deduction based on the expectation that Iowa would allow this provision, no penalty and interest will be charged if the taxpayer files an amended return and pays the additional tax due. In addition, if the taxpayer has already filed an amended return to pay additional Iowa tax due to the adjusted casualty loss deduction allowed, the department will refund any penalty and interest paid by the taxpayer.

Section Amended

Section 211 of House File 2531 is uncoded.

Effective Date

Retroactive to January 1, 2008, for tax years beginning on or after that date and before January 1, 2009.

10 HF 2531-C